No. 05- 05-963

IN THE

Supreme Court of the United States

INTERNATIONAL RECTIFIER CORP.,

Petitioner,

v.

SAMSUNG ELECTRONICS CO., LTD. AND
SAMSUNG SEMICONDUCTOR, INC., and IXYS CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

Of Counsel:
DAVID E. KILLOUGH
VINSON & ELKINS L.L.P.
The Terrace 7, 2801 Via Fortuna.
Austin, TX 78746
(512) 542-8428

GLENN W. TROST
Counsel of Record
WHITE & CASE LLP
633 West Fifth Street
Suite 1900
Los Angeles, CA 90071
(213) 620-7700

Counsel for Petitioner

199189

COUNSEL PRESS

QUESTIONS PRESENTED

Federal courts every day confront important questions involving unclear or novel state law. One solution has been to certify such questions to the implicated state's supreme court. The Court of Appeals for the Federal Circuit has taken an extremely narrow approach on when certification is appropriate. In this case, for example, the Federal Circuit created a new rule of substantive law for California, contrary to that state's applicable existing authority. The Federal Circuit did so without hearing from the California courts and while declining to follow the standard applied in the regional circuit (the Ninth) for certification. The Federal Circuit's approach conflicts with those of the other Circuit Courts of Appeals, as well as with this Court's precedent in cases such as *Lehman Brothers v. Schein*, 416 U.S. 386, 391, 94 S. Ct. 1741, 1744 (1974), *Arizonans for Official English v. Arizona*, 520 U.S. 43, 48, 62, 76-79, 117 S. Ct. 1055 (1997), and *Erie R. Co. v. Tompkins*, 304 U.S. 64, 58 S. Ct. 817 (1938).

This Court should grant review to resolve the conflicting approaches among the lower federal courts when they are faced with an important question of state substantive law concerning the standard employed to determine whether to certify that question. The following questions are presented:

1. Whether the Federal Circuit erred in not following the Ninth Circuit's approach in certifying questions that present significant unresolved issues, or that involve conflicting or unsettled state law, or that require an expansion of existing state law.

2. Whether there are circumstances under which a federal court, in applying a state-law based rule of decision, is permitted to create new substantive rights under state law.

PARTIES TO THE PROCEEDING

Petitioner International Rectifier Corporation ("IR") was a plaintiff in the district court and an appellee in the proceedings on appeal.

Samsung Electronics Co., Ltd. and Samsung Semiconductor, Inc. (collectively, "Samsung") were the defendants in the district court and appellants in the court of appeal proceedings.

IXYS Corporation ("Ixys") was initially a non-party respondent to an order to show cause re contempt, and later joined the district court proceedings as an intervenor. Ixys was an appellant in the proceedings before the Court of Appeals.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, International Rectifier Corporation has no parent corporation, and no publicly listed company holds more than 10% of IR's stock.

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OPINIONS BELOW

The District Court for the Central District of California entered its order denying Ixys's motion for attorney fees on May 26, 2004. (App. B, 19a) Ixys appealed, and oral argument was heard on June 7, 2005. The Court of Appeals for the Federal Circuit entered its opinion and judgment reversing the district court's order and remanding for additional proceedings on September 23, 2005. (App. A, 1a; *International Rectifier Corp. v. Samsung Elec. Co.*, 424 F.3d 1235 (Fed. Cir. 2005).)

JURISDICTION

The Court of Appeals for the Federal Circuit entered its judgment on September 23, 2005. (App. A, 1a) International Rectifier timely petitioned that court for rehearing and rehearing *en banc*. The court of appeals denied the petition on November 1, 2005. (App. C, 26a) This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

California Civil Code Section 1717.

> "In any action on a contract, where the contract specifically provides that attorney's fees and costs, which are incurred to enforce that contract, shall be awarded either to one of the parties or to the prevailing party, then the party who is determined to be the party prevailing on the contract, whether he or she is the party specified in the contract or not, shall be entitled to reasonable attorney's fees in addition to other costs."

(App. D, 28a).

STATEMENT OF THE CASE

This petition lies from the Federal Circuit's reversal of the District Court's order denying Ixys's motion for attorney fees incurred in post-judgment contempt proceedings involving (a) the asserted violation by Samsung of a permanent injunction against patent infringement, and (b) Ixys's asserted aiding and abetting of Samsung's contempt. This petition does not concern the Federal Circuit's decision vacating and remanding for further findings the District Court's order awarding attorneys fees to Samsung.

I. The Original Action And Post-Judgment Contempt Proceedings.

IR filed this action in 1998 based on Samsung's infringement of IR patents. The parties settled, and in January 1999 the District Court entered a stipulated judgment, including a permanent injunction against further patent infringement. The judgment also provided that the District Court retained jurisdiction to enforce the terms of the settlement and that "[i]n any action to enforce this order and judgment or the Settlement Agreement, attorneys' fees and costs shall be awarded to the prevailing party."

Ixys was a major customer of the Samsung products that were the subject of the District Court's injunction. At the time of the settlement, therefore, Samsung informed Ixys that Samsung would no longer manufacture certain parts for Ixys because to do so risked contempt for violating the injunction. Ixys responded by insisting that Samsung maintain "business as usual." Rather than defy Ixys or seek a modification or clarification from the District Court of its injunction order, Samsung agreed to maintain the flow of infringing parts to

Ixys, making only one change to their prior business arrangement – after the injunction, Ixys and not Samsung would ship the infringing products from Samsung's manufacturing site in Korea to the Ixys facility in the United States.

In early 2001, IR discovered and brought to the attention of the District Court the on-going flow of infringing parts from Samsung to Ixys. The District Court issued an Order to Show Cause ("OSC") requiring Samsung to show cause why it should not be held in contempt for violating the court's injunction. The OSC also required Ixys to show cause why it should not be found in contempt for aiding and abetting Samsung's violation of the injunction.

Following an evidentiary hearing, in October 2002 the District Court discharged the contempt proceedings against Ixys but found Samsung in contempt of the injunction and directed the parties to submit briefs on the appropriate sanction. Samsung and Ixys each appealed from the finding of contempt against Samsung. Several weeks later, Ixys sought and was granted leave to intervene so that it could participate in the proceedings on the appropriate sanction to be imposed against Samsung. After additional briefing, in July 2003 the District Court imposed a monetary sanction against Samsung. Samsung and Ixys again each appealed from the sanction award.

The Federal Circuit reversed the District Court's finding of contempt and vacated the monetary sanction. *International Rectifier Corp. v. Samsung Elec. Co.*, 361 F.3d 1355 (Fed. Cir. 2004). In its decision, the Federal Circuit concluded that Samsung's conduct was beyond the District Court's contempt power because it occurred outside of the United States.

In rejecting the District Court's conclusion that Samsung had used Ixys as an instrumentality within the United States, the Federal Circuit specifically found that "[t]here is no evidence that Samsung exercises any control over IXYS, nor is IXYS legally identified or related in any way with Samsung" and that "IXYS, as a non-party, cannot be bound by the Permanent Injunction." *Id.*, at 1362.

II. The Proceedings On Ixys's Motion For Attorneys Fees.

Upon remand, Ixys moved in the District Court for attorney fees and costs, relying on the provision of the stipulated judgment that "[i]n any action to enforce this order and judgment or the Settlement Agreement, attorneys' fees and costs shall be awarded to the prevailing party."[1] Although Ixys was not a party to the stipulated judgment, it argued that it had an entitlement to fees under California Civil Code Section 1717, which creates a reciprocal right in the prevailing party to recover its reasonable attorneys fee where the suit is on a contract providing that any party is entitled to such a recovery.[2] The District Court denied Ixys's motion,

1. As noted above, Samsung also sought and was awarded attorneys fees as a party to the stipulated judgment. That award, and the Federal Circuit's decision to vacate and remand the award for further findings, are not the subject of the present petition.

2. To support its argument, Ixys cited *Reynolds Metals Co. v. Alperson*, 25 Cal. 3d 124 (1979). In that case, individual defendants who had been sued as alter egos of a corporation were permitted to recover fees under Section 1717. The California Supreme Court reasoned that the reciprocity of Section 1717 permitted fees to the non-contracting defendants in that case because they stood in the shoes of the corporation, which was the contracting party, and they "would have been liable for attorney's fees pursuant to the fees provision had plaintiff prevailed." *Reynolds*, 25 Cal. 3d at128.

finding that it was not a party to the contract, that it was not an alter ego of a party, and that it had not incurred the fees in defending against a contract claim:[3]

> Nor does the January 8, 1999 Judgment provide a basis on which IXYS may recover attorney fees. IXYS was not a party to that Judgment, entered into between Samsung and IR as a contractual matter. IXYS was not required to show cause re contempt as an alter ego of Samsung or otherwise sought to be made responsible for Samsung's obligations. Instead, IXYS was required to show cause concerning its own obligations independently imposed by law. Fed. R. Civ. P. 65(d) (injunction orders are binding on parties and "upon those persons in active concert and participation with them who receive actual notice of the order by personal service or otherwise"); Fed. R. Civ. P. 71 ("when obedience to an order may be lawfully enforced against a person who is not a party, that person is liable to the same process for enforcing obedience to the order as if a party"). IXYS cannot now seek to enforce one of the contractual provisions as if it were Samsung.

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3. The District Court also found that Ixys's fee motion – filed in March 2004 – was untimely for failing to be filed within the 14-day period specified by Fed. R. Civ. P. 54(d)(2)(B), which began to run on the October 2002 order terminating the contempt proceedings as to Ixys, and which certainly began to run no later than the July 2003 judgment terminating all contempt proceedings in the District Court. The Federal Circuit – without acknowledging its obligations under Fed. R. Civ. P. 52 – concluded that Ixys's motion was timely because it was "difficult to imagine" that those earlier District Court orders terminating the contempt proceedings actually did so.

> *M/V American Queen v. San Diego Marine Construction Corp.*, 708 F.2d 1483, 1493 (9th Cir. 1983); *Big Bear Municipal Water Dist. v. Bear Valley Mutual Water Co.*, 207 Cal. App. 3d 363, 385-86 (1989). (App. D, 24a-25a)[4]

On Ixys's appeal of the denial of its motion for fees, the Federal Circuit reversed the trial court's ruling and held that a non-party to a consent judgment, accused of being subject to contempt under Rule 65(d) for knowingly acting in "active concert" with a party's contempt, nevertheless has a *contractual* right to recover its attorney fees under California Civil Code Section 1717 – new California substantive law not supported by the text of the statute and in conflict with the relevant opinions by the California Supreme Court and the intermediate California Courts of Appeal. Remarkably, the Federal Circuit's opinion failed to address these contrary California authorities.

In view of the Federal Circuit's creation of new substantive rights under California law, IR asked the Federal Circuit to apply the Ninth Circuit's standard for certification of state-law questions. Practice under that standard reveals that the Ninth Circuit would provide the California Supreme Court an initial opportunity to consider whether or not to extend rights under Section 1717 to the facts presented by Ixys. The Federal Circuit declined to apply the Ninth Circuit's certification standard, thereby preventing California's highest court from having any voice in defining the scope of California's "fundamental" and "strongly held" policy choices embodied in Section 1717.

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4. *M/V American Queen* rejected a claim for attorneys fees based on analogous facts under federal law. The Ninth Circuit did not reach the Section 1717 issue. 708 F.2d at 1493.

REASONS FOR GRANTING THE PETITION

Federal courts are often called upon to apply state-law based rules of decision, whether federal jurisdiction is based on diversity of citizenship or, as here, a federal question. It frequently arises in such situations that the relevant state-law authorities are absent, unclear or, from the perspective of the federal court, unsatisfactory. The federal court in such circumstances must attempt to discern the substance of the state rule, or must devise one of its own.

In the present case, the Federal Circuit created a new contractual right under California law – and did so without certifying the question to the California Supreme Court, without following the standard for certification developed in the Ninth Circuit and contrary to published opinions from California's appellate courts and supreme court.

This Court's guidance is needed to resolve the conflict among the circuits and confirm the standard to employ in determining whether to certify a state-law question to the implicated state's highest court. Several regional circuits, most notably the Ninth Circuit, have fashioned standards that have meshed well with the corresponding rules of the state supreme courts to permit those state courts to have a meaningful voice in the development of state substantive law principles implicated in federal actions. In contrast, the Federal Circuit has failed to develop a reasonable standard and so has inappropriately silenced state supreme courts in connection with the development and application of state substantive laws.

Review is critical in this particular case because the resulting damage to principles of federalism and comity is

both manifest and severe. The statute (Civil Code § 1717) relied on by the Federal Circuit in creating its new rule of California law has been cited by courts 1,413 times, including 1,186 times by California Courts of Appeal and on 57 separate occasions by the California Supreme Court. Recently, the California Court of Appeal emphasized that the statute "reflects a fundamental public policy" of California – a policy so important that courts in California have applied Section 1717 even where the contracting parties have agreed to have their contract governed by a different state's laws. *ABF Capital Corp. v. Grove Properties Co.*, 126 Cal. App. 4th 204, 214 (2005); *Ribbens Int'l, S.A. v. Transport Int'l Pool, Inc.*, 47 F. Supp. 2d 1117, 1122-23, 1126 (C.D. Cal. 1999) (noting California's "significant interest" in having its rules regarding attorney's fees contractual provisions apply to its corporate resident[s]" and Section 1717's "significant effects on access to a state's courts and relations between litigants in those courts and their attorneys").

The new substantive federally fashioned right will significantly affect litigation in California by promoting forum shopping, as the published opinion will have precedential, or at least persuasive, effect for district courts in California, while the state courts must follow existing California law which does not permit defendants sued on a non-contract theory to recover attorney fees under Section 1717. *See Los Angeles Alliance for Survival v. City of Los Angeles*, 22 Cal.4th 352, 360 (2000) (noting concern that a lenient Ninth Circuit ruling on California law would cause cases to be filed in federal rather than state court, thereby depriving state courts of a case in which they could address the issue). This is exactly the kind of result that this Court sought to prevent in *Erie R. Co. v. Tompkins*, 304 U.S. 64, 58 S. Ct. 817 (1938). This Court's guidance is needed again

to confirm the extent to which a federal court is free to disregard existing state-law authorities and instead fashion its own substantive rights under state law.

ARGUMENT

I. Review Is Required To Resolve Conflicting Approaches Between The Federal And Ninth Circuits When They Determine Whether To Certify An Important Question Of State Substantive Law.

This Court's precedents against a federal court's interference with state substantive law are well established. "No clause in the Constitution" purports to confer power upon the federal courts "to declare substantive rules of common law applicable in a state." *Erie R. Co.*, 58 S. Ct. at 822. Under this rule, federal courts may apply but not declare state law.

In order to animate this fundamental tenet of federalism, the federal courts, when faced with an important and unsettled question of state law, are encouraged to certify that issue to the implicated state's supreme court. *Arizonans for Official English v. Arizona*, 520 U.S. 43, 48, 62, 76-79, 117 S. Ct. 1055, 1059, 1066, 1073-75 (1997) ("Federal courts lack competence to rule definitively on the meaning of state legislation"); *Lehman Brothers v. Schein*, 416 U.S. 386, 391, 94 S. Ct. 1741, 1744 (1974) (noting certification "in the long run save[s] time, energy, and resources and helps build a cooperative judicial federalism").[5] For its part, the California

5. Here the implicated state supreme court is that of California, which has a rule for such certifications. California Rule of Court 29.8(a)(1), (2) (certification appropriate if "the decision could (Cont'd)

Supreme Court has noted that the certification procedure (i) allows federal courts to avoid mischaracterizations of state law, which might result in misleading other state and federal courts until the state supreme court "finally" in other litigation corrects the error; (ii) strengthens the primacy of the state supreme court in interpreting state law by giving it the first opportunity to conclusively decide an issue; (iii) avoids conflicts between federal and state courts; and (iv) protects the sovereignty of state courts. *Los Angeles Alliance for Survival v. City of Los Angeles*, 22 Cal. 4th 352, 360-61 (2000).

After *Arizonans*, the Ninth Circuit acknowledged that it had "an obligation to consider whether novel state-law questions should be certified – and we have been admonished in the past for failing to do so.'" *Kremen v. Cohen*, 325 F.3d 1035, 1037-38 (9th Cir. 2003), *citing Parents Involved in Community Schools v. Seattle Sch. Dist.*, 294 F.3d 1085, 1086 (9th Cir. 2002). The Ninth Circuit accordingly certifies state-law questions "that present significant issues, including those with important public policy ramifications, and that have not yet been resolved by state courts." *Kremen*, 325 F.3d at 1038 (noting that when a case "raises a new and substantial issue of state law in an arena that will have broad application, the spirit of comity and federalism cause us to seek

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(Cont'd)
determine the outcome of a matter pending in the requesting court, and there is no controlling precedent"). In determining whether to grant a certification request, the California Supreme Court "may consider whether the resolution of the question is necessary to secure uniformity of decision or to settle an important question of law. . . ." Calif. R. Ct. 29.8(f)(1).

certification").[6] Moreover, following this Court's ruling in *Lehman Brothers*, 416 U.S. at 391, 94 S. Ct. at 1744, that certification is appropriate when state law is unclear, even where no constitutional issue is raised, the Ninth Circuit has specifically found that certification is appropriate whether or not the issue was of constitutional significance:

> [N]either the California rule nor practice requires that the issue be a constitutional one. Indeed, the procedure is designed to let the California Supreme Court decide whether it wants to have the first crack at a significant state-law issue and the majority of certifications that your Court has accepted have not involved a constitutional question. *See e.g.*, *Cadence Design Sys., Inc. v. Avant! Corp.*, 253 F.3d 1147 (9th Cir. 2001) (trade secret question); *Marin Tug & Barge, Inc. v. Westport Petroleum, Inc.*, 238 F.3d 1159 (9th Cir. 2001) (tort question); *Blue Ridge Ins Co. v. Jacobsen*, 197 F.3d 1008 (9th Cir. 1999) (insurance question); and *Asmus v. Pac. Bell*, 159 F.3d 422 (9th Cir. 1998) (employment question). *Kremen*, 325 F.3d at 1037 n.2.[7]

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6. Other Circuits have also adopted similarly generous standards for when certification is appropriate. *E.g.*, *Jones v. Dillard's, Inc.*, 331 F.3d 1259, 1268 (11th Cir. 2003) (a case "should be resolved by certification" when there is "[s]ubstantial doubt about a question of state law upon which a particular case turns"); *Grover v. Eli Lilly & Co.*, 33 F.3d 716, 719 (6th Cir. 1994) (commenting on the value of certification since it frees federal courts "from having to speculate how state courts will decide important questions of state law").

7. The California Supreme Court has already accepted certification of questions regarding the status required of parties in (Cont'd)

The Ninth Circuit is particularly deferential to states when it is asked to extend existing state law or create a new substantive right. For example, in *Torres v. Goodyear Tire & Rubber Co.*, 867 F.2d 1234 (9th Cir. 1989), a products liability question was certified to the Arizona Supreme Court – even though seven cases supported the proposed extension and no cases existed to the contrary – because the Ninth Circuit was reluctant to "extend the law of products liability in the absence of an indication from the Arizona courts or the Arizona legislature that such an extension would be desirable." *Torres*, 867 F.2d at 1238. *See also, Philadelphia Indem. Ins. Co. v. Findley*, 395 F.3d 1046, 1049 (9th Cir. 2005) (certifying a question about whether an insurance statute applied to excess liability insurers as "a question of significant public policy importance that has not been resolved by the California appellate courts").

Additionally, the Ninth Circuit certifies cases if there is conflict within the state law. *See Nordyke v. King*, 229 F.3d 1266, 1270 (9th Cir. 2000) (certifying question in part because of lack of controlling precedent and "tension in the reasoning underlying several decisions" of the California appellate courts); *In re KF Dairies, Inc.*, 179 F.3d 1226, 1227 (9th Cir. 1999) (certifying question when lower court decisions were "in potential conflict with [a] rule established by the California Supreme Court"); *Grisham v. Philip Morris U.S.A.*, 403 F.3d 631, 636-38 (9th Cir. 2005) (certifying question to prevent divergence between the federal and state court interpretation of California law because "we do not

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(Cont'd)
order to seek and be awarded attorneys fees. *Tipton-Whittingham v. City of Los Angeles*, 34 Cal. 4th 604, 607 (2004)

wish to ignore the intervening decisions of California's intermediate appellate courts").

In contrast, the Federal Circuit has taken a very narrow view of when certification is appropriate. *See, e.g., Toews v. United States*, 376 F.3d 1371, 1381 (Fed. Cir. 2004) (denying request for certification for the California Supreme Court, noting "we should decide this case since on the law we can"). This statement is contrary to the Ninth Circuit's practice of certifying any questions involving interpretation of an important state statute such as Section 1717, including questions that it was "quite capable of resolving" because of "deference to the state court on significant state law matters." *Kremen*, 325 F.3d at 1037-38.

The Federal Circuit declined IR's request in this case to adopt the Ninth Circuit's standard for determining when to certify a state-law question to the implicated state's supreme court. The Federal Circuit's own crabbed standard did not require such a certification. As discussed in the section to follow, the failure to certify the issue led the Federal Circuit to create a new rule of California substantive law – a rule every California case addressing the subject suggests or even states to be erroneous and not the policy of California. A more generous standard for certifying questions is particularly important for the Federal Circuit, which with its nationwide jurisdiction will be required at some time or another to apply the laws of all 50 states. *See Lehman Brothers*, 416 U.S. at 391, 94 S. Ct. at 1744 (certification "particularly appropriate" when federal courts in distant states are asked to predict uncertain state law).

For these reasons, IR respectfully submits that this Court should grant the present petition so that it can establish

guidelines (such as those employed in the Ninth Circuit) for certifying significant state-law questions.

II. The Federal Circuit, In Applying A State-Law Based Rule Of Decision, Was Not Permitted To Create New Substantive Rights Under State Law.

As noted above, "[n]o clause in the Constitution" purports to confer power upon the federal courts "to declare substantive rules of common law applicable in a state." *Erie R. Co.*, 58 S. Ct. at 822. Yet the Federal Circuit did precisely that in this case, creating a new right under a heavily litigated statute. By depriving the California courts of a say on this new right, the Federal Circuit has created fertile grounds for forum shopping which will hamper any efforts by the California courts to correct the Federal Circuit's error. *See Los Angeles Alliance for Survival*, 22 Cal. 4th at 360-61 (noting that forum shopping that took place after a Ninth Circuit decision interpreting California law, and that this forum shopping hampered the efforts of "California, through its courts, to exercise the state's authority over the proper interpretation and application of" that law).

The statute the Federal Circuit relied on, Section 1717 of the California Civil Code, creates a reciprocal right for a prevailing contractual party to recover a reasonable attorneys fee in litigation to enforce a contract, even where the agreement itself provides only one of the parties with a right to fees:

> In any action on a contract, where the contract specifically provides that attorney's fees and costs, which are incurred to enforce that contract, shall be awarded either to one of the parties or to the

> prevailing party, then the party who is determined to be the party prevailing on the contract, whether he or she is the party specified in the contract or not, shall be entitled to reasonable attorney's fees in addition to other costs. Cal. Civ. Code § 1717(a).

No California case has ever found that a non-party to the relevant contract who had not been sued on a contract theory nevertheless has a *contractual* right to fees – whether that right arose under Section 1717 or otherwise. The Federal Circuit nevertheless created such a substantive right as a matter of California law, a decision that is at war with at least eight published decisions of the California's intermediate Courts of Appeal as well as California Supreme Court precedent.

The California Supreme Court has emphasized the importance of the distinction between contract and other theories. *Applied Equipment Corp. v. Litton Saudi Arabia Ltd.*, 7 Cal. 4th 503, 514 (1994) ("Contract and tort are different branches of law. Contract law exists to enforce legally binding agreements between parties; tort law is designed to vindicate social policy"). Section 1717's plain language is limited to actions "on a contract," and no California case has extended Section 1717 to non-contract theories of liability, such as interference with contractual relations (or, equivalently, aiding and abetting a breach of contract).

To the contrary, California cases have routinely rejected attorney fee motions invoking Section 1717 based on anything other than asserted liability under a contract and have strictly limited rights under Section 1717 to claims

brought "on a contract" by the parties to that contract. *See, e.g., Stout v. Turney*, 22 Cal. 3d 718, 730 (1978) ("a tort cause of action for fraud arising our of a contract is not . . . an 'action on a contract' within the meaning of [Section 1717]"); *Big Bear Municipal Water Dist. v. Bear Valley Mutual Water Co.*, 207 Cal. App. 3d 363, 385-86 (1989) (denying fees to defendant-intervenor because it was not a party to the consent judgment containing the attorney's fees provision); *Topanga and Victory Partners, LLP v. Toghia*, 103 Cal. App. 4th 775, 786-88 (2002) (holding that Section 1717 was never intended to provide a basis for a prevailing party to recover attorney fees for non-contract causes of action and reversing an award of fees incurred successfully defending against non-contract claims); *Plemon v. Nelson*, 148 Cal. App. 3d 720, 724 (1983) (affirming denial of fees where action was based on tort principles); *Xuereb v. Marcus & Millichap, Inc.*, 3 Cal. App. 4th 1338, 1342 (1992) (Section 1717 "covers *only* contract actions, where the theory of the case is breach of contract, and where the contract sued upon itself specifically provides for an award of attorney fees incurred to enforce *that* contract") (emphasis is original); *Canal-Randolph Anaheim v. Wilkoski*, 78 Cal. App. 3d 477, 485 (1978) (holding Section 1717 was "restricted to parties to the contract"),[8] *Super 7 Motel Associates v. Wang*, 16 Cal. App. 4th 541, 545 (1993) (citing *Canal* and holding broker who had no obligations under the asserted contract was not entitled to a contractual award of attorneys fees); *Koehler v. Pulvers*, 614 F. Supp. 829, 852-53 (S.D. Cal. 1985) (rejecting request to recover attorney fees from non-signatory to contract because "[Section] 1717 extends fees provisions to

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8. While the California Supreme Court in *Reynolds* disapproved a case cited in *Canal-Randolph*, the *Reynolds* opinion cited the *Canal* decision itself with approval.

nonsignatories 'only where fees are incurred to enforce . . . the contract'") (citations omitted).

The Federal Circuit opinion defies all of this controlling California law – without citing or discussing any of it. Indeed, two of these cases, *Canal* and *Super 7*, indicate that it is not even *possible* for a non-signatory such as Ixys to recover fees pursuant to a prevailing party provision. Instead, the Federal Circuit cited to three cases that do not even remotely support its holding as each involved as assertion of *contractual* liability against the prevailing party. In *Babcock v. Omansky*, 31 Cal. App. 3d 625 (1973), the California Court of Appeal held that the defendant wife, non-signatory to a contract signed by her husband providing for "prevailing party" recovery of attorney fees, was entitled to recover her attorney fees under the reciprocity of Section 1717 because, had the plaintiff prevailed, the wife would have been directly liable under the provisions of the contract even though not herself a signatory. *Babcock*, 31 Cal. App. 3d at 633. Similarly, in *Reynolds*, non-signatory shareholders and directors who had been sued as "alter egos" of the co-defendant corporations on obligations in promissory notes containing a "prevailing party" attorney fees provision were entitled to fees under the reciprocity of Section 1717 because they would have been contractually liable for fees under the notes had they lost. *Reynolds*, 25 Cal. 3d at 129. Even further afield is *Santisas v. Goodin*, 17 Cal. 4th 599 (1998), where the defendants seeking an award of attorney fees were parties to the agreement containing the "prevailing party" provision. *Santisas*, 17 Cal. 4th at 609 ("under the terms of their agreement with plaintiffs, the seller defendants are entitled to recover their attorney fees").

As found by the District Court, in contrast, "IXYS was not a party to that Judgment, entered into between Samsung

and IR as a contractual matter. IXYS was not required to show cause re contempt as an alter ego of Samsung or otherwise sought to be made responsible for Samsung's obligations. Instead, IXYS was required to show cause concerning its own obligations independently imposed by law." (App. D, 24a.) All of the California authorities addressing even remotely analogous facts decline to find a contractual right to fees for the non-party to the contract. The Federal Circuit created a new and erroneous rule of California law when it ruled to the contrary.

This Court should grant the petition in order to emphasize that the federal courts are without authority to create new state law in conflict with the existing state statutes and precedents.

CONCLUSION

For all of the foregoing reasons, IR respectfully submits that this Court should grant the present petition so that it can (i) provide guidelines to be used by the lower federal courts in certifying questions that present significant unresolved issues, or that involve conflicting or unsettled state law, or that require an expansion of existing state law, and (ii) confirm that a federal court, in applying a state-law based rule of decision, is not permitted to create new substantive rights under state law.

Respectfully submitted,

GLENN W. TROST
Counsel of Record
WHITE & CASE LLP
633 West Fifth Street
Suite 1900
Los Angeles, CA 90071
(213) 620-7700

Of Counsel:
DAVID E. KILLOUGH
VINSON & ELKINS L.L.P.
The Terrace 7, 2801 Via
Fortuna,
Austin, TX 78746
(512) 542-8428

Counsel for Petitioner

APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DECIDED SEPTEMBER 23, 2005

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1429, -1608

INTERNATIONAL RECTIFIER CORPORATION,

Plaintiff-Appellee,

v.

SAMSUNG ELECTRONICS CO., LTD. and SAMSUNG SEMICONDUCTOR, INC.,

Defendants-Appellants,

and

IXYS CORPORATION,

Defendant-Appellant.

DECIDED: September 23, 2005

Before LOURIE, LINN, and PROST, Circuit Judges.

LINN, Circuit Judge.

Samsung Electronics Co., Ltd. and Samsung Semiconductor, Inc. (collectively, "Samsung") and Ixys Corp. ("Ixys") separately appeal from the United States District Court for the Central District of California's orders granting Samsung

a reduced attorney fee award and denying Ixys attorney fees. *Int'l Rectifier Corp. v. Samsung Semiconductor, Inc.*, No. CV98-433-R (C.D.Cal. Aug. 4, 2004); *Int'l Rectifier Corp. v. Samsung Semiconductor, Inc.*, No. CV98-433-R (C.D.Cal. May 26, 2004). Because the district court abused its discretion in reducing Samsung's fee request, we vacate the district court's award of fees to Samsung and remand for additional proceedings consistent with this opinion. Because the district court abused its discretion in denying Ixys's fee request, we reverse the district court's denial of fees to Ixys and remand for additional proceedings consistent with this opinion.

I. BACKGROUND

The present appeal stems from a contempt proceeding initiated by International Rectifier Corp. ("IR") brought in the United States District Court for the Central District of California ("district court"). The contempt proceeding was based on alleged violations of a permanent injunction entered pursuant to a consent judgment between IR and Samsung as a result of a separate litigation. The contempt proceeding was previously before this court in an appeal by Samsung of the district court's order holding Samsung in contempt and in an appeal by Ixys of the district court's denial of Ixys's motion to clarify, vacate, or modify the permanent injunction. Both appeals were heard on the same day and addressed in a single opinion of this court. *Int'l Rectifier Corp. v. Samsung Elecs. Co.*, 361 F.3d 1355 (Fed.Cir.2004). In those appeals, we reversed the district court's judgment holding Samsung in contempt and held that there was no evidence to support the conclusion that Ixys was aiding, abetting, or otherwise

acting in active concert or participation with Samsung. *Id.* This court's opinion in those appeals recite in detail the underlying facts, which will not be repeated here.

The present appeals involve both Samsung's and Ixys's separate motions for attorney fees following our remand in the prior appeals. Following that remand, Samsung filed a motion in the district court seeking, after amendments to include attorney fees incurred in preparing the motion, $1,276,450 in attorney fees and $96,257.10 in costs. IR opposed Samsung's motion, arguing that the district court was free to deny the motion based on Samsung's alleged misconduct in conspiring to violate the injunction. IR also argued that Samsung's fee request was excessive and unreasonable. The district court awarded Samsung $650,000 in attorney fees and $45,000 in costs, noting that the case "has been terribly over-lawyered" and that "SAMSUNG took no risk in defending this matter." *Int'l Rectifier Corp. v. Samsung Semiconductor, Inc.*, No. CV98-433-R (C.D.Cal. Aug. 4, 2004) ("*Samsung Order*").

Ixys also moved for attorney fees and costs following this court's remand in the prior appeal. The district court denied Ixys's motion in its entirety. *Int'l Rectifier Corp. v. Samsung Semiconductor, Inc.*, No. CV98-433-R (C.D.Cal. May 26, 2004) ("*Ixys Order*"). The district court first held that Ixys's motion was untimely. Next, the district court held that Ixys did not contribute substantially to the resolution of the issues such that it could not recover attorney fees as an intervenor. Third, the district court held that Ixys could not recover under 35 U.S.C. § 285 because IR acted in good faith in bringing suit. Fourth, the district court found that Ixys's

conduct was wrongful and thus would preclude an award of attorney fees in any event. Finally, the district court held that the consent judgment providing for attorney fees to the prevailing party in any litigation could not benefit Ixys who was not a party to the agreement.

Samsung and Ixys separately appealed. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

II. DISCUSSION

A. Standard of Review

Initially, the parties dispute whether Federal Circuit law or regional circuit law applies to the issue of an attorney fee award pursuant to a provision of the consent judgment. Samsung argues that the law of the regional circuit applies because interpretation of an attorney fee provision in a consent judgment is not unique to patent law, citing *Deprenyl Animal Health, Inc. v. Univ. of Toronto Innovations Found.*, 297 F.3d 1343, 1349 (Fed.Cir.2002). IR argues that *Deprenyl Animal Health* is not relevant to this case because *Deprenyl Animal Health* involved interpretation of an arbitration clause rather than an attorney fee provision. IR cites *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1299 (Fed.Cir.2004), for the proposition that this court applies its own law to awards of attorney fees. Although *Deprenyl Animal Health* was concerned with whether Federal Circuit law or regional circuit law applied to the scope of an arbitration clause in a patent license agreement, in *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1365-66 (Fed.Cir.2001), this court held that regional circuit law and state law applied

to a challenge to an award of arbitration fees pursuant to a settlement agreement providing for arbitration of infringement disputes. IR's argument that *Q-Pharma* broadly holds that all attorney fee awards are reviewed under Federal Circuit law is without merit because *Q-Pharma* was only concerned with an award under 35 U.S.C. § 285. 360 F.3d at 1299. Thus, we conclude that, like the arbitration fee award in *Flex-Foot,* the award of attorney fees pursuant to a consent judgment provision is subject to regional circuit law and state law, if relevant. In this case, both Ninth Circuit and California law are applicable.

The Ninth Circuit reviews an award of attorney fees for an abuse of discretion. *Roy Allan Slurry Seal v. Laborers Int'l Union of N. Am. Highway & St. Stripers/Road & St. Slurry Local Union 1184, AFL-CIO,* 241 F.3d 1142, 1145 (9th Cir.2001). Underlying facts are reviewed for clear error, and underlying legal conclusions are reviewed *de novo. Id.* An award of attorney fees under 35 U.S.C. § 285 is governed by Federal Circuit precedent. *Q-Pharma,* 360 F.3d at 1299. We review a denial of attorney fees under section 285 for an abuse of discretion and any findings of fact underlying that determination for clear error. *Id.*

B. Analysis

1. Samsung's Appeal

Samsung argues that the district court's reduced fee award was an abuse of discretion for several reasons. First, Samsung contends that it met its burden of proving that the full amount of its request was reasonable but that IR failed

to present any evidence to rebut its proof. Second, Samsung argues that IR's comparison, before the district court, of its fees in the contempt proceeding to Samsung's fee request was inappropriate because IR was able to use a substantial amount of material from its separate infringement litigation against Ixys in the contempt proceeding. Finally, Samsung contends both that the district court's stated factual basis for reducing the award is legally insufficient and that the findings that the district court articulated for reducing the award are clearly erroneous.

IR argues that the narrow scope of the contempt proceeding before the district court and the fact that it spent less than $500,000 on the contempt proceeding both indicate the reasonableness of the district court's reduction. IR additionally argues that it pointed to specific entries that were unreasonable and that the district court has the inherent power to scrutinize fee requests even if no contrary evidence is presented. IR also argues that the facts cited by the district court for the reduction are legally sufficient and that those findings are not clearly erroneous.

Samsung's fee request was pursuant to an attorney fee provision in the consent judgment. The consent judgment expressly states that it is governed by federal law and California state law. Therefore, we will apply Ninth Circuit law and California state law to this question. Because we conclude that the district court did not adequately explain its reduction of Samsung's fee request, we need not reach Samsung's additional arguments. However, because the district court's fact findings are very likely to be the basis for a decision on remand, we address Samsung's arguments that the district court's fact findings are clearly erroneous.

Appendix A

The Supreme Court has made clear that although district courts have discretion in determining the amount of a fee award, "[i]t remains important, however, for the district court to provide a concise but clear explanation of its reasons for the fee award." *Hensley v. Eckerhart,* 461 U.S. 424, 437, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983). The Ninth Circuit has explained that "decisions of district courts employing percentages in cases involving large fee requests are subject to heightened scrutiny." *Gates v. Deukmejian,* 987 F.2d 1392, 1400 (9th Cir.1993). In *Gates,* the Ninth Circuit held that a district court employing a 10% reduction in a fee award based on some duplication of effort was an abuse of discretion. *Id.* at 1400. The court held that the district court failed to provide the "concise but clear" explanation of its fee reduction, despite an explanation that was more focused and clear than the district court's in this case. Based on *Gates,* we conclude that without such an explanation of the district court's fee reduction, "we are unable to assess whether the court abused that discretion." *Id.* Thus, we vacate the fee award and remand for a concise but clear explanation of how the district court arrived at its fee reduction.

Addressing Samsung's additional argument that the district court's previous findings on the fee award are clearly erroneous, Samsung first argues that the district court's conclusion that it bore no risk in defending this lawsuit is clearly erroneous. IR counters that the district court simply meant that Samsung had no reason to be efficient in the quantity of legal effort expended on its defense because Ixys was required to reimburse it for its attorney fees in defending this action. The question the district court had to consider was whether Samsung's fee request was reasonable. Whether

Samsung had an incentive to minimize costs may be probative of whether Samsung's fee request was reasonable, but such a general finding cannot substitute for specific findings of unreasonable fees. Thus, to the extent the district court meant what IR suggests that it meant, its finding is inadequate to support a fee reduction. To the extent that the district court meant that Samsung bore no risk in general, the district court's finding overlooks at least the fact that Samsung stood to lose its business relationship with Ixys. Moreover it directly conflicts with the district court's finding to the contrary in rejecting Ixys's motion for attorney fees. In rejecting Ixys's motion, the district court said, "Samsung had every incentive to minimize the sanction. . . ." *Ixys Order* at 3. Because Ixys was liable to Samsung for both the sanction and Samsung's attorney fees, the district court's findings that Samsung bore no risk with respect to attorney fees and yet had every incentive to minimize the sanction cannot both be correct. Samsung bore some risk for both the sanction and attorney fees because there was always at least some risk that Ixys could not or would not pay. We vacate the district court's findings to the contrary. Although Samsung's risk may have been limited, that by itself is an insufficient basis for reducing the attorney fee award.

Samsung additionally argues that the district court's finding that the case was "terribly over-lawyered" is clearly erroneous. Again, the district court failed to make any specific findings to support this conclusion. Because the basis for this finding is unclear, we vacate this finding and remand along with the fee reduction for a concise but clear explanation of any findings that the district court relies on in reducing Samsung's fee request.

Appendix A

2. Ixys's Appeal

First, Ixys argues that its motion for attorney fees was timely. IR responds that the district court's October 15, 2002 judgment holding Samsung in contempt but not mentioning Ixys made Ixys a prevailing party, such that Ixys's motion for attorney fees in April 2004 was outside the 14-day time period and thus was untimely. The district court did not explain its rationale for concluding that Ixys's motion for attorney fees was untimely. Although IR argues that Ixys was a prevailing party as of the October 15, 2002 judgment holding Samsung in contempt, that judgment did not mention, nor did it dispose of, IR's claim against Ixys. It is difficult to imagine how a judgment that does not mention a party or a claim asserted against a party can be considered a final resolution of the claim against that party. Ixys properly could not be considered a prevailing party prior to this court's March 18, 2004 judgment reversing the district court's holding of contempt against Samsung and reversing the denial of Ixys' motion to clarify, vacate, or modify the injunction. *Int'l Rectifier*, 361 F.3d at 1362 ("[R]egardless of Samsung's activities, which we have concluded do not invoke liability in any case, IXYS, as a non-party, cannot be bound by the Permanent Injunction."). Thus, Ixys's motion for attorney fees was not untimely. The district court's denial of attorney fees on this basis was an abuse of discretion.

Next, Ixys challenges the district court's finding that its intervention in the district court's determination of an appropriate sanction against Samsung was "purely voluntary." Ixys additionally challenges the district court's finding that it did not substantially contribute to the resolution

of the issues in this case and the legal effect that the district court gives that finding. IR responds that intervenors must show some special contribution to the resolution of the issues to entitle them to an award of attorney fees. As we noted *supra,* Ixys is a prevailing party, if at all, by virtue of this court's March 18, 2004 judgment reversing the district court's judgment of contempt. Thus, to the extent the district court precluded Ixys from recovering attorney fees based on Ixys's allegedly voluntary participation in the determination of an appropriate sanction against Samsung, the district court abused its discretion. The determination of an appropriate sanction for Samsung was only part of the litigation and was the only part in which Ixys could even arguably be said to have "voluntarily" participated. Even if Ixys's participation in that portion of the litigation was voluntary, an award of attorney fees would not be precluded. The district court abused its discretion in denying Ixys's entire fee request on this basis.

We consider the determination of the reasonableness of a fee award pursuant to a consent judgment entered by a federal district court as a question of federal law. To the extent that Ixys's fee request is based on time as an intervenor, that portion of the fee request is subject to special scrutiny to ensure that hours reimbursed were not redundant or unnecessary. *Equal Employment Opportunity Comm'n v. Clear Lake Dodge,* 60 F.3d 1146, 1153- 54 (5th Cir.1995). However, the mere fact that a party voluntarily intervened does not preclude an award of attorney fees. *See id.; see also Seattle Sch. Dist. No. 1 v. Washington,* 633 F.2d 1338, 1349-50 (9th Cir.1980) ("To retrospectively deny attorney's fees because an issue is not considered or because a party's

participation proves unnecessary would have the effect of discouraging the intervention of what in future cases may be essential parties."); *cf. Donnell v. United States,* 682 F.2d 240, 247-48 (D.C.Cir.1982) ("If a lawsuit is successful, but the intervenor contributed little or nothing of substance in producing that outcome, then fees should not be awarded."). Thus, the district court's conclusion that a recovery was precluded because Ixys voluntarily participated was an abuse of discretion.

The district court also concluded that "IXYS did not substantially contribute to the resolution of the issues in this case during its participation as an intervenor." *Ixys Order* at 3. Ixys challenges that finding, arguing that it was responsible for the district court's reduction in sanctions based on the fact that IR was seeking a double recovery. IR responds that Ixys is incorrect because the district court attributed the argument to Samsung. That, however, does not answer the question of which party was responsible for the argument. This court is unable to find facts in the first instance on appeal. Because the district court made no findings to substantiate its conclusion that Ixys did not substantially contribute to the resolution of the sanctions issues, we vacate that finding and remand for the district court to make fact findings in the first instance.

Ixys's third argument is that the district court clearly erred in relying on its previously vacated finding that Ixys and Samsung agreed to subvert the injunction. We agree. The district court noted that "[w]hile the Federal Circuit concluded that IXYS and Samsung could not be punished in contempt for that decision [to maintain business as usual],

such conduct is hardly to be encouraged. It would be inequitable under the circumstances to make an award of fees in favor of IXYS." *Id.* at 5. In the previous appeal to this court, we first held that there was no legal basis for the district court's theory of infringement and then said, "even if a legal basis were apparent, the district court's finding of an agreement to subvert the injunction is not supported by any evidence, let alone the clear and convincing evidence required in a contempt proceeding." *Int'l Rectifier,* 361 F.3d at 1361. The district court was not free to disregard these holdings. Thus, the district court's conclusion that Ixys's conduct justified a denial of attorney fees was an abuse of discretion.

Ixys next argues that the district court erroneously concluded that Ixys was not entitled to an attorney fee award pursuant to paragraph 7 of the consent judgment between Samsung and IR and pursuant to 35 U.S.C. § 285. IR argues that Ixys is not entitled to attorney fees under the consent judgment because it was not a party to that agreement and that the district court did not abuse its discretion in denying a fee award under 35 U.S.C. § 285. First, Ixys argues that under California law it is entitled to an award of attorney fees pursuant to the consent judgment if attorney fees could be awarded against it pursuant to the consent judgment. California state law is relevant to the interpretation of the substantive provisions of the consent judgment. *Cf. Reed v. Callahan,* 884 F.2d 1180, 1185 (9th Cir.1989). California Civil Code section 1717(a) provides:

> In any action on a contract, where the contract specifically provides that attorney's fees and costs,

> which are incurred to enforce that contract, shall be awarded either to one of the parties or to the prevailing party, then the party who is determined to be the party prevailing on the contract, whether he or she is the party specified in the contract or not, shall be entitled to reasonable attorney's fees in addition to other costs.

In *Babcock v. Omansky,* 31 Cal.App.3d 625, 107 Cal.Rptr. 512 (2d Dist.1973), cited by Ixys, the wife (Bertha) of a party to four promissory notes was sued on the notes as a joint venturer and partner with her husband, as well as his agent and employee. Her husband was sued on the notes as a separate defendant. The trial court issued an order of nonsuit with respect to this claim against Bertha, and Bertha, in turn, sought attorney fees based upon an attorney fee provision in the promissory notes. In reversing the trial court's denial of attorney fees, the California appellate court said, "It seems clear, by virtue of the above, that plaintiffs were thus seeking recovery on the notes; having won an order of nonsuit as to this tenth cause of action, Bertha was the 'prevailing party' and entitled to attorney's fees under section 1717." *Id.* at 633, 107 Cal.Rptr. at 518.

Although *Babcock* was rejected by other appellate courts in California, the California Supreme Court cited it approvingly in *Reynolds Metals Co. v. Alperson,* 25 Cal.3d 124, 158 Cal.Rptr. 1, 599 P.2d 83 (1979). *Reynolds Metals* involved a suit against directors and shareholders of two bankrupt corporations on two promissory notes on the theory that the two bankrupt corporations were merely alter egos of the directors and shareholders. The trial court rejected the

alter ego theory and awarded the directors and shareholders attorney fees. In affirming the trial court's holding that the directors and shareholders were entitled to attorney fees, the California Supreme Court said, "Its purposes require section 1717 be interpreted to further provide a reciprocal remedy for a nonsignatory defendant, sued on a contract as if he were a party to it, when a plaintiff would clearly be entitled to attorney's fees should he prevail in enforcing the contractual obligation against the defendant." *Id.* at 128, 158 Cal.Rptr. at 3, 599 P.2d at 85. The court then explained, "[s]ince [defendants] would have been liable for attorney's fees pursuant to the fees provision had plaintiff prevailed, they may recover attorney's fees pursuant to section 1717 now that they have prevailed." *Id.* at 129, 158 Cal.Rptr. at 3, 599 P.2d at 86.

A more recent decision of the California Supreme Court has provided an even broader formulation. In *Santisas v. Goodin,* 17 Cal.4th 599, 609- 12, 71 Cal.Rptr.2d 830, 837-38, 951 P.2d 399, 406-07 (1998), the California Supreme Court noted that section 1717 applies in two situations. The first situation is when a contract provides a right to attorney fees to one party but not the other. The second situation described by the court "is when a person sued on a contract containing a provision for attorney fees to the prevailing party defends the litigation by successfully arguing the inapplicability, invalidity, unenforceability, or nonexistence of the same contract." *Id.* at 611, 71 Cal.Rptr.2d at 837, 951 P.2d at 406 (quotation marks and citation omitted). The court explained,

> If section 1717 did not apply in this situation, the right to attorney fees would be effectively

> unilateral—regardless of the reciprocal wording of the attorney fee provision allowing attorney fees to the prevailing attorney— because only the party seeking to affirm and enforce the agreement could invoke its attorney fee provision. To ensure mutuality of remedy in this situation, it has been consistently held that when a party litigant prevails in an action on a contract by establishing that the contract is invalid, inapplicable, unenforceable, or nonexistent, section 1717 permits that party's recovery of attorney fees whenever the opposing parties would have been entitled to attorney fees under the contract had they prevailed.

Id. at 611, 71 Cal.Rptr.2d at 837-38, 951 P.2d at 406-07. We conclude based on these decisions of the California Supreme Court that if IR would have been entitled to attorney fees against Ixys if it prevailed, Ixys is entitled to claim attorney fees against IR based on the agreement. Because IR sued Ixys for a violation of the injunction contained within the consent judgment as if Ixys were a party to that consent judgment, we conclude that California law entitles Ixys to the reciprocal remedy of attorney fees in this case. If IR had prevailed in its assertions that Ixys was violating that consent judgment by aiding and abetting Samsung, IR would have been entitled to assert a claim for attorney fees against Ixys in much the same way as the alleged "coventurer or partner" in *Babcock* or the shareholders and directors who allegedly used the corporation as their alter egos in *Reynolds*. *See Portland Feminist Women's Health Ctr. v. Advocates for Life, Inc.*, 877 F.2d 787 (9th Cir.1989) (affirming district court's order in contempt proceeding holding nonparties jointly and

severally liable with parties for plaintiffs' attorney fees); *see also Peterson v. Highland Music, Inc.*, 140 F.3d 1313, 1323 (9th Cir.1998) ("'[T]o be held liable in contempt, it is necessary that a non-party respondent must either abet the defendant [in violating the court's order] or be legally identified with him' and that the non-party have notice of the order." (quoting *NLRB v. Sequoia Dist. Council of Carpenters, AFL-CIO*, 568 F.2d 628, 633 (9th Cir.1977) (quotation marks and citation omitted))). Thus, we reverse the district court's denial of fees pursuant to the consent judgment.

Because Ixys is entitled to attorney fees under the consent judgment, we need not address Ixys's additional arguments regarding 35 U.S.C. § 285. Ixys also argues that we should hold that its attorney fee request was reasonable. However, the award of reasonable attorney fees in the first instance is for the district court, not this court. *See Gerling Global Reinsurance Corp. of Am. v. Garamendi*, 400 F.3d 803, 811 (9th Cir.2005) (reversing the district court's denial of fees and remanding "this case to the district court with instructions to exercise its discretion to determine a reasonable amount of attorney's fees").

Finally, in the event of a remand, Ixys requests that this court remand to a different judge. Ixys argues that Judge Real's repeated characterizations of its conduct with Samsung as being somehow wrongful and not to be encouraged even though not legally sanctionable, combined with its repeated rulings in IR's favor, warrant reassignment. IR argues that no cause exists for such a reassignment and that a reassignment would be wasteful of judicial resources.

Appendix A

Remands to different district court judges are exceedingly rare. *In re Yagman,* 796 F.2d 1165, 1188 (9th Cir.1986). In evaluating such a request for relief, the Ninth Circuit considers:

> (1) whether the original judge would reasonably be expected upon remand to have substantial difficulty in putting out of his or her mind previously-expressed views or findings determined to be erroneous or based on evidence that must be rejected, (2) whether reassignment is advisable to preserve the appearance of justice, and (3) whether reassignment would entail waste and duplication out of proportion to any gain in preserving the appearance of fairness.

McCalden v. Cal. Library Ass'n, 955 F.2d 1214, 1224 (9th Cir.1990) (quoting *Davis & Cox v. Summa Corp.,* 751 F.2d 1507, 1523 (9th Cir.1985) (citation omitted)). The cases in which such relief has been granted reflect rare and compelling circumstances. *See, e.g., United States v. Jacobs,* 855 F.2d 652, 656-57 (9th Cir.1988) (describing the district court's conduct in improperly dismissing a case and refusing to reassemble the jury when the error was discovered two minutes later along with other egregious conduct); *Yagman,* 796 F.2d at 1187-88 (describing district court's improper award of $250,000 sanction against counsel based on his "total conduct" without specifying specific infractions). Given the extremely high threshold, we do not think reassignment is appropriate in this case. On remand, we are confident that Judge Real can put aside any conviction that

Ixys's conduct was somehow wrongful even if not legally sanctionable in considering an appropriate award of attorney fees to both Samsung and Ixys.

III. CONCLUSION

Because the district court abused its discretion in reducing Samsung's fee request without an adequate explanation, we vacate the district court's order and remand for a concise but clear explanation of the basis for the district court's award that is consistent with our review of the district court's previous findings of fact. Additionally, because the district court abused its discretion in denying Ixys's fee request, we reverse the district court's denial of fees and remand for additional proceedings that must take into account our review of the district court's bases underlying its previous denial of fees to Ixys.

VACATED-IN-PART, REVERSED-IN-PART, AND REMANDED

COSTS

Costs are assessed against IR.

APPENDIX B — ORDER DENYING IXYS CORPORATION'S MOTION FOR ATTORNEY FEES AND COSTS OF THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA FILED MAY 26, 2004

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV-98-0433 R

INTERNATIONAL RECTIFIER CORPORATION,

PLAINTIFF,

VS.

SAMSUNG SEMICONDUCTOR, INC., AND
SAMSUNG ELECTRONICS CO., LTD.,

DEFENDANTS.

ORDER DENYING IXYS CORPORATION'S MOTION FOR ATTORNEY FEES AND COSTS

Hearing:
Date: May 17, 2004
Time: 10:00 a.m.
Courtroom of
The Honorable Manuel L. Real

The motion for attorney fees and costs IXYS Corporation came on regularly for hearing on May 17, 2004. Having considered all of the papers filed in connection with the

motion, as well as the arguments of counsel, the Court finds and rules as follows:

In February 2001, the Court issued its Order to Show Cause re Contempt ("OSC") to defendants Samsung Semiconductor, Inc. and Samsung Electronics Co., Ltd. (collectively "Samsung") and non-party IXYS Corporation ("IXYS") directing them to show cause why they should not be held in contempt of the injunction contained in the Judgment entered herein on January 8, 1999. On October 11, 2002, the Court found as its final ruling that Samsung, but not IXYS, was in contempt. IXYS and Samsung both filed notices of appeal from that order and, pursuant to applicable law, the Federal Circuit Court of Appeals found that order to be final and appealable and considered those appeals on the merits. *See H.A. Jones Co. v. KSM Fastening Systems, Inc.*, 745 F.2d 630, 631 (Fed. Cir. 1984).

On November 8, 2002, the Court granted IXYS's request to intervene in the action on the issue of sanctions for Samsung's contempt. The Court on July 3, 2003 entered an order imposing $7,341,702 as a sanction against Samsung for violating the injunction, including an award to plaintiff International Rectifier Corporation ("IR") of $350,000 in attorney fees. That order terminated all proceedings in the District Court. As they had done the prior year, both IXYS and Samsung filed notices of appeal from that order. The parties and IXYS stipulated to stay enforcement of the July 3, 2003 "judgment" pending the outcome of those appeals. (Stipulation And Order To Stay Enforcement Of Judgment, filed July 15, 2003.)

Appendix B

On December 18, 2003, IXYS attempted to file a "Conditional Motion for Attorneys Fees" in this Court stating December 18, 2003 was the last day to seek fees. The motion was stricken as not being in the form required by the Local Rules.

On March 18, 2004, the Court of Appeals for the Federal Circuit reversed this Court's contempt finding on grounds that Samsung's acts occurred beyond the territorial boundaries of the United States, and were thus outside this Court's jurisdiction, and that there was not clear and convincing evidence that Samsung and IXYS had agreed to have IXYS carry out on Samsung's behalf acts prohibited by the injunction. The Federal Circuit, for the same reasons, also vacated this Court's order denying IXYS's motion to clarify, vacate or modify the injunction.

IXYS then filed the present motion for attorney fees and costs.

IXYS's present request for its fees failed to comply with the applicable rules regarding timing of such requests. Fed. R. Civ. P. 54(d)(2)(B) ("Unless otherwise provided by statute or order of the court, the motion must be filed no later than 14 days after entry of judgment; [and] must specify the judgment and the statute, rule, or other grounds entitling the moving party to the award . . . ."); Local Rule 54-12 ("Any motion or application for attorney's fees shall be served and filed within fourteen (14) days after the entry of judgment or other final order, unless otherwise ordered by the Court"). The present motion by IXYS is untimely, and untimeliness is a sufficient ground to deny IXYS's present motion. *Kona*

Enterprises, Inc. v. Estate of Bishop, 229 F.3d 877, 889-90 (9th Cir. 2000); *Mollura v. Miller*, 621 F.2d 334, 336 (9th Cir. 1980).

IXYS was only an intervenor from November 2002 through July 2003 when the only issue was the appropriate sanction for Samsung's contempt. While an intervenor may be a prevailing party, it can recover costs as such only where "the intervenor substantially contributed to the resolution of the issues" in the case. *MDT Corp. v. New York Stock Exchange, Inc.*, 858 F. Supp. 1028, 1035 (C.D. Cal. 1994); 20A MOORE'S FEDERAL PRACTICE – CIVIL (3d ed. 2004) § 339.22 ("An intervenor, even one who is ultimately victorious, may be denied costs if it did not make a substantial contribution in addition to what the parties had already contributed"). While these authorities relate to costs, there is no suggestion that the rule should be less strict with respect to fees. *See Lemelson v. United States*, 8 Cl. Ct. 789, 791-92 (1985). IXYS intervened in this case to protect its own interest, and its participation was purely voluntary. Samsung had every incentive to minimize the sanction, and IXYS faced no direct liability for contempt after October 11, 2002. Moreover, IXYS did not substantially contribute to the resolution of the issues in this case during its participation as an intervenor.

In addition, there is no basis under 35 U.S.C. § 285 to award fees to IXYS, which has not proven by clear and convincing evidence that this is an exceptional case. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985) (burden of proof is on moving party). There is no evidence that IR's action was frivolous, reckless or

vexatious or commenced through bad faith, recklessness or gross negligence. IR acted in good faith and pursued its claim against IXYS with a reasonable belief in the merits. Although this Court did not find IXYS to be in contempt, IR's position against IXYS had a basis in law and fact, which suffices to negate a finding of bad faith or gross negligence. *B. Braun Medical, Inc. v. Abbott Labs.*, 124 F.2d 1419, 1429 (Fed. Cir. 1997); *McNeil-PPC, Inc. v. L. Perrigo Co.*, 337 F.2d 1362, 1371-72 (Fed. Cir. 2003) (attorneys fees are not to be routinely assessed against a losing party in litigation in order to avoid penalizing a party for merely defending or prosecuting a lawsuit). In any event, a ruling against a party on the merits is insufficient by itself to establish bad faith or gross negligence in prosecuting and filing an infringement action. *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1304 (Fed. Cir. 2004) (affirming denial of attorney fees under § 285 when patentee "reasonably believed that [its] patent was valid and infringed when it filed suit and that its claim of infringement was therefore neither frivolous nor unjustified"); *Carroll Touch, Inc. v. Electro Mechanical Systems, Inc.*, 15 F.3d 1573, 1584 (Fed. Cir. 1993) (finding case was not exceptional when patentee reasonably believed in the merits).

Even were this Court to find the action against IXYS was exceptional, it would be unjust for IXYS to receive an award of attorneys fees. *Nat'l Presto Industries, Inc. v. West Bend Co.*, 76 F.3d 1185, 1197 (Fed. Cir. 1996) (affirming denial of fees because "the award of attorney fees is not automatic, even for the extraordinary case"). In considering and weighing all factors, including the closeness of the case, the conduct of the parties, and the certainty of the outcome,

this Court concludes that it is not unfair for IXYS to bear its own fees. *Intra Corp. v. Hamar Laser Instruments, Inc.*, 4 U.S.P.Q.2d 1227, 1354 (E.D. Mich. 1987), *aff'd without published opinion*, 862 F.2d 220 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1021 (1989) (denying fees under section 285 to party whose own conduct was "wrongful").

IXYS was told by Samsung that the continued importation of MOSFETs manufactured by Samsung could be found to violate the permanent injunction, yet IXYS insisted upon maintaining "business as usual" rather than seek at that time clarification of the injunction or a license from IR. The evidence of record and reasonable inferences therefrom persuades this Court that Samsung and IXYS agreed to have IXYS rather than Samsung perform importation prohibited by this Court's injunction. While the Federal Circuit concluded that IXYS and Samsung could not be punished in contempt for that decision, such conduct is hardly to be encouraged. It would be inequitable under the circumstances to make an award of fees in favor of IXYS.

Nor does the January 8, 1999 Judgment provide a basis on which IXYS may recover attorneys fees. IXYS was not a party to that Judgment, entered into between Samsung and IR as a contractual matter. IXYS was not required to show cause re contempt as an alter ego of Samsung or otherwise sought to be made responsible for Samsung's obligations. Instead, IXYS was required to show cause concerning its own obligations independently imposed by law. Fed. R. Civ. P. 65(d) (injunction orders are binding on parties and "upon those persons in active concert and participation with them who receive actual notice of the order by personal service or

otherwise"); Fed. R. Civ. P. 71 ("when obedience to an order may be lawfully enforced against a person who is not a party, that person is liable to the same process for enforcing obedience to the order as if a party"). IXYS cannot now seek to enforce one of the contractual provisions as if it were Samsung. *M/V American Queen v. San Diego Marine Construction Corp.*, 708 F.2d 1483, 1493 (9th Cir. 1983); *Big Bear Municipal Water Dist. v. Bear Valley Mutual Water Co.*, 207 Cal. App. 3d 363, 385-86 (1989).

Even assuming that there was some valid basis for making a fee award, it is also the case that any such award would be discretionary. *Cable Marine, Inc. v. M/V Trust Me II*, 632 F.2d 1344, 1345 (5th Cir. 1980) ("a court in its sound discretion may decline to award attorney's fees authorized by a contractual provision when it believes that such an award would be inequitable and unreasonable"); *DeBlasio v. Mountain States Construction Co.*, 588 F.2d 259, 263 (9th Cir. 1978); *Gregg v. U.S. Industries*, 715 F.2d 1522, 1542 (11th Cir. 1983); *Anderson v. Melwani*, 179 F.3d 763, 766 (9th Cir. 1999). For the reasons set forth above, it would be inequitable under the circumstances to make an award of fees in favor of IXYS.

Based on the foregoing findings, the Court concludes that IXYS's motion for attorneys fees and costs should be and, therefore, hereby is DENIED.

Dated: May 26, 2004

s/ [illegible]
United States District Judge

APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PETITION FOR REHEARING FILED NOVEMBER 1, 2005

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

04-1429, -1608
(DCT - 2:98-CV-00433)

INTERNATIONAL RECTIFIER

V.

SAMSUNG

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the APPELLEE, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

Appendix C

The mandate of the court will issue on November 8, 2005.

FOR THE COURT

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: November 1, 2005

APPENDIX D — RELEVANT STATUTE CALIFORNIA CODE SECTION 1717

CALIFORNIA CODE SECTION 1717

OBLIGATIONS IMPOSED BY LAW
Pt. 3

§ 1717. Action on contract; award of attorney's fees and costs; prevailing party; deposit of amounts in insured, interest-bearing account; damages not based on contract

(a) In any action on a contract, where the contract specifically provides that attorney's fees and costs, which are incurred to enforce that contract, shall be awarded either to one of the parties or to the prevailing party, then the party who is determined to be the party prevailing on the contract, whether he or she is the party specified in the contract or not, shall be entitled to reasonable attorney's fees in addition to other costs.

Where a contract provides for attorney's fees, as set forth above, that provision shall be construed as applying to the entire contract, unless each party was represented by counsel in the negotiation and execution of the contract, and the fact of that representation is specified in the contract.

Reasonable attorney's fees shall be fixed by the court, and shall be an element of the costs of suit.

Attorney's fees provided for by this section shall not be subject to waiver by the parties to any contract which is entered into after the effective date of this section. Any

provision in any such contract which provides for a waiver of attorney's fees is void.

(b)(1) The court, upon notice and motion by a party, shall determine who is the party prevailing on the contract for purposes of this section, whether or not the suit proceeds to final judgment. Except as provided in paragraph (2), the party prevailing on the contract shall be the party who recovered a greater relief in the action on the contract. The court may also determine that there is no party prevailing on the contract for purposes of this section.

(2) Where an action has been voluntarily dismissed or dismissed pursuant to a settlement of the case, there shall be no prevailing party for purposes of this section.

Where the defendant alleges in his or her answer that he or she tendered to the plaintiff the full amount to which he or she was entitled, and thereupon deposits in court for the plaintiff, the amount so tendered, and the allegation is found to be true, then the defendant is deemed to be a party prevailing on the contract within the meaning of this section.

Where a deposit has been made pursuant to this section, the court shall, on the application of any party to the action, order the deposit to be invested in an insured, interest-bearing account. Interest on the amount shall be allocated to the parties in the same proportion as the original funds are allocated.

(c) In an action which seeks relief in addition to that based on a contract, if the party prevailing on the contract

has damages awarded against it on causes of action not on the contract, the amounts awarded to the party prevailing on the contract under this section shall be deducted from any damages awarded in favor of the party who did not prevail on the contract. If the amount awarded under this section exceeds the amount of damages awarded the party not prevailing on the contract, the net amount shall be awarded the party prevailing on the contract and judgment may be entered in favor of the party prevailing on the contract for that net amount.

(3)

No. 05-963

IN THE

Supreme Court of the United States

INTERNATIONAL RECTIFIER CORP.,

Petitioner,

v.

SAMSUNG ELECTRONICS CO., LTD.,
SAMSUNG SEMICONDUCTOR, INC.,
and IXYS CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION FOR RESPONDENT IXYS CORPORATION

ROGER L. COOK
Counsel of Record
ERIC P. JACOBS
NANCY L. TOMPKINS
ROBERT G. LITTS
TOWNSEND AND TOWNSEND
AND CREW LLP
Two Embarcadero Center
8th Floor
San Francisco, CA 94111
(415) 576-0200

Counsel for Respondent
IXYS Corporation

QUESTIONS PRESENTED

Notwithstanding Petitioner's effort to frame a question worthy of this Court's review, the decision Petitioner assails required the application of California law that is not confused to facts that are not novel. In fact, it apparently did not even occur to Petitioner International Rectifier Corporation ("IR") that the state-law question on appeal was at all murky until *after* the Federal Circuit Court of Appeals decided the question against IR and in favor of Respondent IXYS Corporation ("IXYS"). Then, and only then, IR saw the light (or the darkness in this case), and for the first time in a petition for rehearing suggested that the Federal Circuit should seek illumination from the California Supreme Court.

The state law in question, California Civil Code § 1717, has been the subject of many decisions by the California Supreme Court and the California Courts of Appeal. (In fact, by IR's count, the statute "has been cited . . . 1,186 times by California Courts of Appeal and on 57 separate occasions by the California Supreme Court." Pet. at 8.) The Federal Circuit applied well-established California decisional law in determining that the mutuality provision of § 1717 entitled Respondent to an award of attorney fees against Petitioner. It was IR's theory that IXYS had colluded with Samsung and by doing so, had stepped into Samsung's obligations under a consent judgment, a *species of contract*. That IR considered IXYS obliged by Samsung's agreement, and that IR considered the fee provisions of the agreement to work mutually, is evidenced by the fact that when IR was the prevailing party, before the Federal Circuit reversed the district court, IR invoked the contract to claim all the fees IR had incurred in pursuing its contempt allegations against *both* IXYS and Samsung, and the district court granted IR's

request. The Federal Circuit has thus created no new rule of substantive state law that warranted certification to the courts of California for decision.

The following questions are presented:

1. Whether the Federal Circuit erred by denying IR's petition for rehearing, which raised for the first time Petitioner's contention that the Federal Circuit should certify for review by the California Supreme Court the applicability of § 1717 to the facts of this case.

2. Whether, notwithstanding Petitioner's failure to raise the issue on appeal, the Federal Circuit erred by failing *sua sponte* to certify the question to the California Supreme Court, instead applying well-established California law to facts analogous to those the California courts have already addressed.

PARTIES TO THE PROCEEDING

Petitioner IR was a plaintiff in the district court and an appellee in the court of appeals.

Samsung Electronics Co., Ltd. and Samsung Semiconductor, Inc. (collectively, "Samsung") were defendants in the district court and appellants in the court of appeals.

Respondent IXYS designs and sells the semiconductor devices that IR claimed were subject to the injunction at issue in the underlying contempt proceeding. Samsung manufactures those devices for IXYS under a fabrication contract. Though not a party to the underlying consent judgment, which Samsung entered in 1998 to settle patent-infringement litigation with IR involving different devices, IXYS was ordered with Samsung to show cause why it should not be held in contempt of that judgment. After the district court held Samsung in contempt, IXYS intervened in the penalty phase as a matter of right as both Samsung's indemnitor and as the real party in interest. IXYS was an appellant in the court of appeals.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, IXYS Corporation has no parent corporation, and no publicly listed company holds more than ten percent of IXYS's stock.

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OPINIONS BELOW

After the Federal Circuit determined that IR's claim of collusion between Samsung and IXYS (and thus, IR's theory that IXYS was in contempt) was "not supported by any evidence," *Int'l Rectifier Corp. v. Samsung Elecs. Co.*, 361 F.3d 1355, 1361 (Fed. Cir. 2004), the District Court for the Central District of California entered an order denying IXYS's motion for attorney fees on May 26, 2004. IXYS appealed to the United States Court of Appeals for the Federal Circuit, and oral argument was heard on June 7, 2005. The Federal Circuit entered its opinion and judgment reversing the district court's order and remanding for the district court to award IXYS reasonable fees on September 23, 2005. *Int'l Rectifier Corp. v. Samsung Elecs. Co.*, 424 F.3d 1235 (Fed. Cir. 2005). IR filed a petition for rehearing in which it urged for the first time that the Federal Circuit should certify the state-law question to the California Supreme Court. The Federal Circuit denied IR's petition for rehearing on November 1, 2005.

STATEMENT OF THE CASE

This petition concerns a dispute over an award of attorney fees to IXYS as a prevailing party in defending against an ill-conceived contempt proceeding instituted at the behest of IR. In 1998, IR and Samsung settled a patent-infringement lawsuit brought by IR against Samsung in the United States District Court for the Central District of California. The Samsung lawsuit concluded with a consent judgment that incorporated a permanent injunction as well as the provision that "[i]n any action to enforce this order and judgment . . . attorneys' fees and costs shall be awarded to the prevailing party." IXYS was not a party to that lawsuit, and the consent judgment was filed under seal.

In June 2000, IR sued IXYS for patent infringement in the Central District of California.[1] The IXYS lawsuit involved the same patent that IR had asserted against Samsung.

Since 1987, and continuing to the present day, Samsung has provided foundry services to IXYS which involve fabricating semiconductor devices for IXYS according to designs supplied by IXYS. Though IR would have this Court believe otherwise, IR has always understood that the IXYS-designed devices Samsung manufactures for IXYS are different from the Samsung-designed devices IR accused in 1998. Upon entry of the consent judgment, Samsung stopped making the Samsung-designed devices. It continues to work in this segment of the semiconductor industry only to the extent that it fulfills its foundry contract with IXYS.

Nonetheless, in 2001, when its own lawsuit against IXYS was only in the discovery phase, IR hailed IXYS and Samsung into court for allegedly colluding to violate the Samsung injunction by Samsung's continuing to make and IXYS's continuing to sell IXYS devices according to the arrangement that had been in effect since 1987. IR claimed, in other words, that the very devices whose alleged infringement would be adjudicated in its patent suit against IXYS were *already enjoined* by the sealed 1998 Samsung injunction.

Judge Real agreed with IR that the injunction contained in the consent judgment bound both Samsung and IXYS

1. The district court eventually held IXYS liable for infringement on a series of IR motions for summary judgment. On appeal, however, the Federal Circuit reversed, vacated and remanded all findings of infringement. *Int'l Rectifier Corp. v. IXYS Corp.*, 361 F.3d 1363 (Fed. Cir. 2004).

(because, according to the district court, they had made an agreement to violate it) and that Samsung was in contempt. In light of that ruling, IR sought and won all of the fees it had incurred pursuing its contempt allegations against *both* IXYS and Samsung in the district court, invoking the "prevailing party" clause of the consent judgment.[2]

On appeal, the Federal Circuit reversed the district court's judgment on the grounds that Samsung manufactured and delivered goods to IXYS overseas, beyond the reach of the injunction; that IXYS as a nonparty was not bound by the consent judgment; and that Judge Real's findings that IXYS and Samsung had colluded to subvert the injunction, and that IXYS was aiding, abetting or otherwise acting in concert or participation with Samsung, were "not supported by any evidence, let alone the clear and convincing evidence required in a contempt proceeding." *Int'l Rectifier Corp. v. Samsung Elecs. Co.*, 361 F.3d at 1361.

IXYS, now a prevailing party, sought an award of attorney fees in the district court, invoking the same provision of the consent judgment under which IR had been awarded fees against IXYS. The district court denied IXYS's request, holding, in relevant part, that IXYS could not collect fees under the consent judgment because IXYS was neither a party

2. Neither IR nor IXYS nor the district court made any distinction between the fees IR incurred pursuing Samsung, a party to the consent judgment, and those it incurred pursuing IXYS, a nonparty. IR now insists this distinction is critical. This claim is unconvincing. *Warner Constr. Corp. v. City of Los Angeles*, 2 Cal.3d 285, 296-97 (1970) (construction given a contract by acts and conduct of the parties before any controversy has arisen as to its meaning is entitled to great weight); *Sierad v. Lilly*, 204 Cal. App.2d 770, 774 (1962).

to the consent judgment nor an alter ego to Samsung, and had not incurred the fees in defending against a contract claim.

IXYS appealed, and the Federal Circuit reversed, applying California statutory and decisional law. California Civil Code § 1717 states, in pertinent part:

> In any action on a contract, where the contract specifically provides that attorney's fees and costs, which are incurred to enforce that contract, shall be awarded either to one of the parties or to the prevailing party, then the party who is determined to be the party prevailing on the contract, whether he or she is the party specified in the contract or not, shall be entitled to reasonable attorney's fees in addition to other costs.

The California Supreme Court has held that § 1717 must be interpreted "to further provide a reciprocal remedy for a *nonsignatory* defendant, sued on a contract as if he were a party to it, when a plaintiff would clearly be entitled to attorney's fees should he prevail in enforcing the contract against the defendant." *Reynolds Metals Co. v. Alperson*, 25 Cal.3d 124, 158 Cal. Rptr. 1 (1979) (emphasis added). In so holding, the Court cited *Babcock v. Omansky*, 31 Cal. App.3d 625, 633-34 (1973), where attorney fees were awarded pursuant to § 1717 to a nonsignatory defendant who the plaintiff had alleged was liable as a coventurer or partner with another defendant who had executed a promissory note providing for attorney fees. The court in *Babcock* reasoned that the language of the statute was sufficiently broad to include persons who had not signed the contract but were sued on the note and found not to be parties to it.

The Federal Circuit, while noting that lower appellate courts in California had criticized *Babcock*, correctly relied upon *Reynolds* and other overriding decisions of the California Supreme Court:

> A more recent decision of the California Supreme Court has provided an even broader formulation. In *Santisas v. Goodin*, 951 P.2d 399, 406-407 (Cal. 1998), the California Supreme Court noted that section 1717 applies in two situations. The first situation is when a contract provides a right to attorney fees to one party but not the other. The second situation described by the court "is when a person sued on a contract containing a provision for attorney fees to the prevailing party defends the litigation by successfully arguing the inapplicability, invalidity, unenforceability, or nonexistence of the same contract." *Id.* at 406 (quotation marks and citation omitted). The court explained, "If section 1717 did not apply in this situation, the right to attorney fees would be effectively unilateral—regardless of the reciprocal wording of the attorney fee provision allowing attorney fees to the prevailing party—because only the party seeking to affirm and enforce the agreement could invoke its attorney fee provision. To ensure mutuality of remedy in this situation, it has been consistently held that when a party litigant prevails in an action on a contract by establishing that the contract is invalid, inapplicable, unenforceable, or nonexistent, section 1717 permits that party's recovery of attorney fees whenever the opposing parties would have been entitled to attorney fees under the

> contract had they prevailed." *Id.* at 406-407. We conclude based on these decisions of the California Supreme Court that if IR would have been entitled to attorney fees against IXYS if it prevailed, IXYS is entitled to claim attorney fees against IR based on the agreement. Because IR sued IXYS for a violation of the injunction contained within the consent judgment as if IXYS were a party to that consent judgment, we conclude that California law entitles IXYS to the reciprocal remedy of attorney fees in this case. If IR had prevailed in its assertions that IXYS was violating that consent judgment by aiding and abetting Samsung, IR would have been entitled to assert a claim for attorney fees against IXYS in much the same way as the alleged "coventurer or partner" in *Babcock* or the shareholders and directors who allegedly used the corporation as their alter egos in *Reynolds*.

Int'l Recitifier v. Samsung, 424 F.3d at 1242-43, quoting *Santisas v. Goodin*, 951 P.2d 399, 406-07 (Cal. 1998), Appendix A, 12a-15a.

REASONS FOR DENYING THE PETITION

IR presents two arguments in its petition for certiorari. First, IR claims this Court should provide guidelines to be used by the lower federal courts in certifying questions that present significant unresolved issues. Second, IR argues that this Court should "confirm" that a federal court is not permitted to create new substantive rights under state law.

With regard to the first question, IR presents no evidence that the federal courts need guidance to correctly certify questions of state law. While complaining that the Federal Circuit's standard is "crabbed," IR does not even attempt to explain what that standard is. In fact, the Federal Circuit did not consider or apply any standard in this case because IR never raised the issue on appeal.

Moreover, even if IR is correct in claiming that the Federal and Ninth Circuits have applied different standards for certification, federalism itself requires that different standards be used in different cases because the certification process varies from one state to the next. IR's call for a uniform standard issuing from this Court is simply off-base.

With regard to IR's second question, the Federal Circuit has neither changed nor extended California law by permitting IXYS to collect fees expended in this litigation, which IR asserts arose not out of a contract, but out of Rule 65 of the Federal Rules of Civil Procedure. IR simply refuses to recognize that the obligations it insists Rule 65(d) extended to IXYS were Samsung's *contractual* obligations under the consent judgment. *See Thompson v. Enomoto*, 915 F.2d 1383, 1388 (9th Cir. 1990) ("[c]onsent decrees have the attributes of both contracts and judicial acts"). The Federal Circuit thus

decided this case consistently with California statutory law and with relevant decisions of the California Supreme Court amplifying the requirement that contractual fee provisions benefit even a nonsignatory such as IXYS, "sued on a contract as if he were a party to it . . ." *Reynolds*, 25 Cal.3d at 128.

I. IR Did Not Properly Raise The Certification Argument In The Court Of Appeals

IR asserts that "[t]he Federal Circuit declined IR's request in this case to adopt the Ninth Circuit's standard for determining when to certify a state-law question to the implicated state's supreme court." Pet. at 13. IR fails to mention that it never requested certification until, after the Federal Circuit had decided the underlying state-law issues in IXYS's favor, IR filed a Combined Petition For Panel Rehearing And Rehearing *En Banc*, which the Federal Circuit denied in a one-sentence order.

By waiting until rehearing to raise certification, IR waived this issue. The Federal Circuit does not consider issues raised for the first time in a petition for rehearing. *Pentax Corp. v. Robinson*, 135 F.3d 760, 762 (Fed. Cir. 1998) ("Just as this court will not address issues raised for the first time on appeal or issues not presented on appeal, we decline to address the government's new theory raised for the first time in its petition for rehearing.")

This Court has also consistently held that a new question cannot be raised for the first time on Supreme Court review when the question was waived in the lower courts. *Sprietsma v. Mercury Marine*, 537 U.S. 51, 56 n.4 (2002) ("Brunswick has asserted that federal maritime law governs this case. Because

this argument was not raised below, it is waived."); *Glover v. United States*, 531 U.S. 198, 205 (2001) ("We need not describe the arguments in great detail, because despite the fact the parties have joined issue at least in part on these points, they were neither raised in nor passed upon by the Court of Appeals. In the ordinary course we do not decide questions neither raised nor resolved below."); *Green Tree Financial Corp. v. Randolph*, 531 U.S. 79, 92 (2001) (". . . we need not decide here issues not decided below"); *United States v. Ortiz*, 422 U.S. 891, 898 (1975) ("Examination of the Government's brief in the Ninth Circuit indicates that it did not raise this question below. . . . We therefore decline to consider this issue, which was raised for the first time in the petition for certiorari.")

Similarly, this Court should not decide the certification issue because the Federal Circuit chose not to address the argument when IR made it for the first time in its petition for rehearing. As with issues that were waived by the parties in the lower courts, this Court generally does not address issues that were passed over by the lower courts. *National Collegiate Athletic Ass'n v. Smith*, 525 U.S. 459, 470 (1999) ("we do not decide in the first instance issues not decided below."); *Patrick v. Burget*, 486 U.S. 94, 99 n.5 (1988) ("The petition for certiorari also presented the question whether, assuming that respondent Russell's activities as a member of the BOME constitute state action and thus cannot directly form the basis for antitrust liability, evidence of those activities is admissible insofar as it indicates the presence of a nonimmune conspiracy in which Russell and others engaged. A close reading of the opinion below, however, reveals that the Court of Appeals did not address this question. This Court usually will decline to consider questions presented in a petition for certiorari that have not been considered by the lower court. . . . We see no reason to

depart from this practice in the case at bar. Accordingly, we take no position on the evidentiary question raised by petitioner."); *J. Truett Payne Co., Inc. v. Chrysler Motors Corp.*, 451 U.S. 557, 568 (1981) ("We do not ordinarily address for the first time in this Court an issue which the Court of Appeals has not addressed, and we think this would be a poor case in which to depart from that practice.")

II. Review Is Not Required To Resolve Conflicting Approaches Between The Federal And Ninth Circuits

A. The Federal Circuit Did Not Consider Certification In This Case; When It Has Done So, It Has Applied Appropriate Standards

IR intimates in its Petition that the Federal Circuit applied a "very narrow" and "crabbed" standard in determining that certification of the underlying state-law issues to the California Supreme Court was not warranted. Pet. at 13. Contrary to IR's assertion, however, the Federal Circuit did not apply *any* standard to determine whether or not certification was appropriate. This is because, as explained above, IR never asked the Federal Circuit to certify the issue until filing its petition for rehearing. While IR suggests that the Federal Circuit's refusal to certify the underlying state-law issues was due to an overly stringent standard for certification, it is much more plausible that the Federal Circuit refused to certify because that Court does not consider issues first raised in a petition for rehearing. *See Pentax Corp. v. Robinson*, 135 F.3d at 762.

Moreover, the only Federal Circuit opinion cited by IR in support of its argument that the Federal Circuit applies an overly strict certification standard does not in fact support IR's position at all. In that case, the Federal Circuit rejected the Government's arguments that under California law, certain uses of railroad rights of way did not go beyond the scope of the Government's easements, and that the Government did not abandon its easements. *Toews v. United States*, 376 F.3d 1371, 1375 (Fed. Cir. 2004). The Federal Circuit denied the Government's request to certify the issue to the California Supreme Court, stating that:

> The California Supreme Court has specifically addressed the question of shifting use in transportation easements, and in thorough opinions, as we have described, explained its rationale. **We are left with no doubt as to the proper application of the state's law to these facts.** The Government's reading of that law is not supported by the California cases.

Id. at 1381 (emphasis added). Moreover, in that case, the Federal Circuit cited two similar cases in which the issue of certification was raised. *Id.* at 1380. In one case, the Federal Circuit did in fact certify the state-law issue to the Maryland Court of Appeals because certain factual issues "left this court in doubt" as to the proper resolution. *Id.* at 1380. In the other case, the Federal Circuit would have certified the issue because of "the unclear state of the common law and statutes of Vermont then in effect . . . ," but could not because there was no mechanism for certification to the Vermont courts at that time. *Id.* at 1380. Thus, the Federal Circuit does certify state-law issues to the relevant state court *when it is appropriate to do so.*

Finally, the Federal Circuit's decision to deny IR's belated request for certification was appropriate given the circuit courts' general reluctance to grant parties' after-the-fact requests for certification. *See, e.g., Cantwell v. University of Massachusetts*, 551 F.2d 879, 880 (1st Cir. 1977). In that case, the Court of Appeals for the First Circuit refused the plaintiff's request to certify a state-law issue to the Massachusetts Supreme Judicial Court after the plaintiff's cause of action had been dismissed by the district court. *Id.* at 880. The district court stated,

> We do not look favorably, either on trying to take two bites at the cherry by applying to the state court after failing to persuade the federal court, or on duplicating judicial effort. We decline to certify, and hold that the district court correctly dismissed the suit against the University of Massachusetts.

Id. at 880. Here, IR clearly is trying to take a second bite at the cherry after having lost in federal court.

B. There Is No Need To Create A Consistent Standard For Certification In the Circuit Courts

It does not make sense to require the various circuits to apply the same standard for certification. Indeed, it does not make sense to require a single circuit always to apply the same standard for certification. This is because the rules for certification are set forth in the individual court rules for the various states (that have certification procedures), and those rules vary from state to state. While many states have adopted procedures for certification of state-law issues from federal courts, there are variations in the details of those procedures.

For example, while every state with a certification procedure allows its highest court to answer questions from the Supreme Court or from federal courts of appeals, not all states allow certification from federal district courts, or from other state courts. Furthermore, certain states have constitutional limits on the jurisdiction of their courts or on the issuance of advisory opinions that restrict the ability of the courts in those states to answer certified questions. Given these differences, it would be misguided for this Court to announce a unified standard to be used by all federal courts when deciding whether or not to certify an issue to a state court. As the Seventh Circuit has explained,

> [i]t is worth emphasizing that principles of federalism bar us from compelling the Indiana Supreme Court to do anything. It has full discretion to dictate which questions from the federal courts it will answer. And so we may certify questions all day and night, but if the question does not meet the requirements of the Indiana Supreme Court . . . the requests will rightfully fall on deaf ears. . . .

Brown v. Argosy Gaming Co., 384 F.3d 413, 416 (7th Cir. 2004).

III. The Federal Circuit's Determination Is Consistent With California Law

IR's entire certification argument is premised on its assertion that the Federal Circuit's decision that IXYS is entitled to attorney fees under the consent judgment is inconsistent with California law. In particular, IR states that "the failure to certify the issue led the Federal Circuit to create a new rule of California substantive law — a rule every California case addressing the subject suggests or even states to be erroneous and not the policy of California." Pet. at 13. IR is wrong.[3] As explained below, the Federal Circuit's decision is entirely consistent with the leading cases from the California Supreme Court as well as the opinions favorably cited by that court. *See Reynolds Metals Co. v. Alperson*, 25 Cal.3d 124 (1979); *Santisas v.* Goodin, 951 P.2d 399, 406-07 (Cal. 1998); see *also Babcock v. Omansky*, 31 Cal. App.3d 625, 633-34 (1973). Thus, IR could only be seeking certification in an attempt to persuade the California Supreme Court to revisit the underlying state-law issue. This Court has held that:

> It would be manifestly inappropriate to certify a question in a case where, as here, there is no uncertain question of state law whose resolution might affect the pending federal claim. As we have demonstrated, . . . this ordinance is neither ambiguous nor obviously susceptible of a limiting construction. A federal court may not properly ask

3. The very fact acknowledged by IR that there is abundant California case law interpreting § 1717 cuts against certification, which is proper in California only when ". . . there is no controlling precedent." California Rule of Court 29.8(a)(1), (2).

> a state court if it would care in effect to rewrite a statute.

City of Houston v. Hill, 482 U.S. 451, 470-71 (1987). In this case, there is no uncertain question of state law. The California Supreme Court has interpreted California Civil Code § 1717 "to further provide a reciprocal remedy for a non-signatory defendant, sued on a contract as if he were a party to it, when a plaintiff would clearly be entitled to attorney's fees should he prevail in enforcing the contractual obligation against the defendant." *Reynolds Metals*, 25 Cal. 3d at 128.

The California Supreme Court has further specified that § 1717 applies "when a person sued on a contract containing a provision for attorney fees to the prevailing party defends the litigation by successfully arguing the inapplicability, invalidity, unenforceability, or nonexistence of the same contract." *Santisas v. Goodin*, 951 P.2d at 406. Although the facts of these California cases are not identical to those presented here, the "extrapolation does not require much of a leap." *Brown v. Argosy Gaming Co.*, 384 F.3d at 416 n.2 (denying certification). If perfect identity of facts were required in order to avoid certification, certification would be required in nearly every case, since identical facts are exceedingly rare. The Federal Circuit was well within its discretion in deciding this case under California law.

IV. The Federal Circuit Did Not Create New Substantive Rights Under State Law

IR also requests that this court "grant the petition in order to emphasize that the federal courts are without authority to create new state law in conflict with the existing state statutes and precedents." In particular, IR argues that:

> No California case has ever found that a non-party to the relevant contract who had not been sued on a contract theory nevertheless has a contractual right to fees — whether that right arose under Section 1717 or otherwise. The Federal Circuit nevertheless created such a substantive right as a matter of California law, a decision that is at war with at least eight published decisions of the California's [sic] intermediate Courts of Appeal as well as California Supreme Court precedent.

Pet. at 15. IR then characterizes a series of decisions from various California state courts as inconsistent with the Federal Circuit's decision in this case. Pet. at 15-17. IR completely fails to explain, however, *why* in its view the cited opinions are in conflict with the Federal Circuit's opinion. Rather, IR merely provides short summaries of each cited opinion without explaining how each is inconsistent with the Federal Circuit's holding in this case.

Moreover, while IR asserts that its case against IXYS arose not out of a contract, but out of Rule 65 of the Federal Rules of Civil Procedure, it simply refuses to recognize that the obligations it insists Rule 65(d) extended to IXYS were Samsung's *contractual* obligations under the consent judgment. *See Thompson v. Enomoto*, 915 F.2d 1383, 1388 (9th Cir. 1990) ("[c]onsent decrees have the attributes of both contracts and judicial acts").

This Court should reject IR's request to consider reversing the Federal Circuit's determination that IXYS was entitled to its attorney fees under the consent judgment. This Court has exercised marked restraint in reviewing questions of state law, and even where it is alleged that a circuit court has decided an important question in a way that is in conflict with applicable state law, this Court has rarely reviewed such decisions. *Cort v. Ash*, 422 U.S. 66, 72 n.6 (1975); *Wolf v. Weinstein*, 372 U.S. 633, 636 (1963); *Ruhlin v. New York Life Ins. Co.*, 304 U.S. 202 (1938). Furthermore, this Court generally has shown great deference to the lower courts' determinations of state law. *Pembaur v. City of Cincinnati*, 106 S. Ct. 1292, 1301 n.13 ("We generally accord great deference to the interpretation and application of state law by the courts of appeals."); *Pacific Gas & Elec. Co. v. State Energy Resources Conserv. & Devel. Comm'n*, 461 U.S. 190, 214 (1983) ("Our general practice is to place considerable confidence in the interpretations of state law reached by the federal courts of appeals."); *Pierson v. Ray*, 386 U.S. 547, 558 n.12 (1967) ("We do not ordinarily review the holding of a court of appeals on a matter of state law, and we find no reason for departing from that tradition in this case.") Given that there is clear guidance from the California Supreme Court on the state-law issue in this case, which the Federal Circuit expressly and thoughtfully followed in making its determination in this case, this Court should defer to the Federal Circuit's decision and decline IR's Petition.

V. Policy Considerations

IR argues that policy considerations dictate creating a uniform standard for certification in the various circuit courts. In particular, IR argues that having non-uniform standards will promote forum shopping by causing plaintiffs to choose between state and federal forums depending upon which has interpreted

a particular state statute or rule more favorably to a particular plaintiff's cause. In reality, however, policy considerations strongly support rejecting IR's present Petition. Allowing IR to take its certification argument any farther will encourage briefing strategies such as IR pursued here, leading to this Court's being presented with raw questions of law, fact and policy *with no underlying decision to review.*

Worse, it will reward Petitioners such as IR with "two bites at the cherry" while taxing the courts with "duplicating judicial effort." *Cantwell*, 551 F.2d at 880. Finally, certification will increase the cost and length of this litigation, which — given the complete absence of critical evidence, as noted by the Federal Circuit — was frivolous at its inception, and has already been costly and lengthy. Allowing IR to argue this issue to this Court, and then possibly to a state court, now that it has lost in federal court, would unfairly require IXYS to incur more fees and endure more delay.

CONCLUSION

For all of the foregoing reasons, IR's Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

ROGER L. COOK
Counsel of Record
ERIC P. JACOBS
NANCY L. TOMPKINS
ROBERT G. LITTS
TOWNSEND AND TOWNSEND
AND CREW LLP
Two Embarcadero Center
8th Floor
San Francisco, CA 94111
(415) 576-0200

Counsel for Respondent
IXYS Corporation

(2)

No. 05-963

IN THE

Supreme Court of the United States

INTERNATIONAL RECTIFIER CORP.,

Petitioner,

v.

SAMSUNG ELECTRONICS CO., LTD. AND
SAMSUNG SEMICONDUCTOR, INC., and IXYS CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

Of Counsel:

DAVID E. KILLOUGH
VINSON & ELKINS L.L.P.
The Terrace 7, 2801 Via Fortuna
Austin, TX 78746
(512) 542-8428

GLENN W. TROST
Counsel of Record
WHITE & CASE LLP
633 West Fifth Street
Suite 1900
Los Angeles, CA 90071
(213) 620-7700

Counsel for Petitioner

200774

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *ii* of its Petition for a Writ of Certiorari, and there are no amendments to that statement.

INTRODUCTION

After the Federal Circuit created a new substantive right as a matter of California state law, IR petitioned this Court for a writ of certiorari to resolve the conflict among the Circuit Courts of Appeals concerning when to certify such state-law questions to the supreme court of the affected state. Respondent IXYS Corporation barely addresses these concerns, instead focusing its opposition on procedural objections such as its assertion that IR should not now be heard because certification was not requested until IR's petition for rehearing in the Federal Circuit. Those procedural objections are not dispositive, as this Court granted certiorari to consider the certification issue in a procedurally similar case. *Lehman Brothers v. Schein*, 416 U.S. 386, 393, 94 S. Ct. 1741, 1745 (1974) (Rehnquist, J., concurring) (certiorari granted and the certification issue considered on the merits even though certification was first sought on petition for rehearing in the Court of Appeals).

IXYS barely mentions the merits of the certification issue raised in the Petition, devoting but a single paragraph to this issue because, according to IXYS, consistency among the circuits on certification issues "does not make sense." (IXYS Opp. Br., 12.) It does make sense, however, and this Court should issue its Writ of Certiorari to ensure uniformity in the federal courts in deciding when to certify a state-law question for consideration by the supreme court of the implicated state.

ARGUMENT

I. Federal Courts Should Apply A Uniform Standard In Deciding When State-Law Questions Should Be Certified To The Supreme Court Of The Implicated State.

As shown by IR's Petition, the Ninth Circuit – but not the Federal Circuit – follows this Court's precedents requiring deference to state supreme courts in the development of state substantive rights. Ignoring the plethora of Ninth Circuit authority (including all of the leading Ninth Circuit cases that were cited in the Petition), IXYS's sole comment on this point is to suggest that the Federal Circuit has no standard for certification. (IXYS Opp. Br., 10-11.) That may be so, as there is only one reported opinion in which a question was certified by the Federal Circuit – even though the Federal Circuit has nationwide jurisdiction and necessarily is presented with appeals from cases in all 50 states.

Rather than directly address the question raised by the Petition, IXYS seeks to avoid the issue by claiming that it "does not make sense" to seek uniformity among the Circuits on when to certify a state-law question because the states themselves have adopted a variety of procedures (or none at all) for resolving the questions so certified. (IXYS Opp. Br., 12-13.) The only authority IXYS cites for its position is a case in which a Court of Appeals declined to certify a state-law question because the dismissal below was with prejudice and had not been appealed, thus rendering moot any answer that might be given. *Brown v. Argosy Gaming Co.*, 384 F.3d 413, 416 n.2 (7th Cir. 2004).

Our federal system does not require uniformity among the states on questions of state substantive law or of the procedural rules for raising such questions in the state courts.

The Petition makes no such suggestion, and instead argues that this Court's precedents require uniformity in the procedural rules to be applied by *federal* courts when deciding questions of state substantive law. *See Erie R. Co. v. Tompkins*, 304 U.S. 64, 78, 58 S. Ct. 817, 822 (1938) (federal courts in diversity must apply the substantive law of the forum state); IR Pet., 7-14.

Indeed, this Court enjoined uniformity of approach in the federal courts precisely because of the variability of state substantive rules. *Erie*, 304 U.S. at 75, 58 S. Ct. at 821. It is inconsistent with this Court's view of appropriate federalism that the Federal Circuit here could create a new rule of California substantive law because the underlying judgment was in a patent-infringement case, while the Ninth Circuit would have certified the identical question had the underlying judgment been in a copyright-infringement case.

Similarly inapposite is IXYS's citation of *Cantwell v. University of Massachusetts*, 551 F.2d 879 (1st Cir. 1977). In that case, the First Circuit properly refused to certify a question in a diversity case where the plaintiff wanted to *change* existing state law: "This is a misconception of the purpose of certification, which is not to permit a party to seek to persuade the state court to change what appears to be present law." *Id.* at 880. In contrast, IR simply wishes the Federal Circuit to consult California *before creating* a new substantive right under California law. To the extent that *Cantwell* can be interpreted as disfavoring certification because it affords parties a chance to consult a state court "after failing to persuade the federal court," then the case exemplifies why guidance from this Court is so urgently needed to establish a uniform approach to such questions. *See also*, Bradford R. Clark, *Ascertaining the Laws of the Several States: Positivism and Judicial Federalism After Erie*, 145 U. Pa. L. Rev. 1459, 1544-63 (1997) (endorsing a broad presumption in favor of certification).

II. The Certification Issue Is Properly Before This Court.

IXYS devotes much of its Opposition Brief complaining that IR should not now be heard because it did not seek certification before the Federal Circuit's opinion announced a new California substantive right. (IXYS Opp. Br., 8-10.) IXYS is wrong. That a request for certification was presented for the first time in a petition for rehearing does not preclude certiorari to consider that issue. *Lehman Brothers*, 416 U.S. at 393, 94 S. Ct. at 1745 (Rehnquist, J., concurring). Moreover, this Court has certified questions even though no request for such had apparently been made in the lower courts. *See Fiore v. White*, 528 U.S. 23, 25, 120 S. Ct. 469, 471 (1999) (finding Pennsylvania Supreme Court's interpretation of state statute was necessary prior to ruling on constitutionality of statute); *Bellotti v. Baird*, 428 U.S. 132, 143, 96 S. Ct. 2857, 2864 n.10 (1976) (certifying question and noting "[i]t is not entirely clear that appellants suggested the same interpretation in the District Court as they suggest here. Nevertheless, the fact that the full arguments in favor of abstention may not have been asserted in the District Court does not bar this Court's consideration of the issue") (internal citation omitted).

IR made its request to the Federal Circuit, and that Court denied it. So long as an issue is raised or resolved in the court below, this Court will hear the issue. Moreover, IR is not now presenting a new theory of the case; the issue of IXYS's entitlement to attorney fees under Section 1717 of the California Civil Code was briefed before both the District Court and the Federal Circuit. *See Nelson v. Adams USA, Inc.*, 529 U.S. 460, 469-70, 120 S. Ct. 1579, 1586 (2000) (finding no waiver of issue even though it had not been briefed before the Court of Appeals).

IXYS's remaining arguments seek to establish that the Federal Circuit did not actually create new California law. IXYS's arguments in this regard are based on the assertion that its potential liability below was "contractual." IXYS does not discuss, however, the District Court's express finding to the contrary; nor does IXYS discuss the many California authorities that refuse to extend a substantive right to attorney fees to non-contractual parties such as IXYS not sued on a contract theory. (*See* IR Pet., 5-6, 14-18.)

CONCLUSION

This Court has always shown that it is sensitive to the rights of the states to define their own laws. The Federal Circuit's practice of not certifying state-law questions to the supreme court of the implicated state stands in striking contrast to the rule adopted by this Court and in the Ninth and other Circuits for certifying such questions. This aberrational procedure in the Federal Circuit has resulted in the creation by a federal court of a new substantive right under one of California's most frequently litigated statutes. IR therefore respectfully requests that its petition be granted.

Respectfully submitted,

Of Counsel:
DAVID E. KILLOUGH
VINSON & ELKINS L.L.P.
The Terrace 7,
2801 Via Fortuna
Austin, TX 78746
(512) 542-8428

GLENN W. TROST
Counsel of Record
WHITE & CASE LLP
633 West Fifth Street
Suite 1900
Los Angeles, CA 90071
(213) 620-7700

Counsel for Petitioner